Saskatchewan
Finance

Annual Report
1998-99

Public Employees Benefits Agency Revolving Fund

100-04553/

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Saskatchewan
Finance

His Honour, The Honourable J. E. N. Wiebe, KStJ
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the eighth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 1999.

I have the honour to be, Sir,

Your obedient servant,

Eric Cline
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

The Honourable Eric Cline
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the eighth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 1999.

Respectfully submitted,

Brian Smith
Executive Director

INTRODUCTION

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Funds	Employee Benefit Funds
Anti-Tuberculosis League Employees Superannuation Fund	Public Employees Dental Fund
Judges of the Provincial Court Superannuation Plan	Public Employees Disability Income Fund
Liquor Board Superannuation Plan	Public Employees Group Life Insurance Fund
Members of the Legislative Assembly Superannuation Fund	Extended Health Care Plan
Municipal Employees' Pension Plan	Extended Health Care Plan for Certain Other Employees
Saskatchewan Pension Annuity Fund	
Public Employees Pension Plan	
Public Service Superannuation Plan	
Saskatchewan Transportation Company Employees Superannuation Plan	
Workers' Compensation Board Superannuation Fund	

OPERATION OF THE PLAN

ADMINISTRATION

The Fund is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

FINANCING

The maximum amount for accumulated net expenditure has been set at $1,200,000. Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum of accumulated net expenditure which may at anytime be outstanding to be set by order of the Lieutenant Governor in Council.

ADMINISTRATION COSTS

1999	$5,320,103
1998	$3,928,530
1997	$2,923,195
1996	$2,424,590

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with the disclosed basis of accounting.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 1999 and the Provincial Auditor's report on these financial statements.

Brian Smith
Executive Director
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kent Walde
Director, Pension Programs
Public Employees Benefits Agency

Regina, Saskatchewan
May 26, 1999

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1999

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the balance sheet of the Public Employees Benefits Agency Revolving Fund as at March 31, 1999 and the statements of operations and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelioff

Regina, Saskatchewan
May 26, 1999

Wayne Strelioff, C.A.
Provincial Auditor

STATEMENT 1

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
BALANCE SHEET

AS AT MARCH 31

	1999	1998
ASSETS		
Accounts receivable (Notes 6 and 9)	$ 973,502	$701,236
Capital assets (Note 4)	714,724	226,471
	$1,688,226	$927,707
LIABILITIES		
Liabilities:		
Accounts payable (Notes 6 and 9)	$ 837,891	$434,420
Non-current Liabilities:		
Accumulated net expenditure (Statement 3)	850,335	493,287
	$1,688,226	$927,707

See accompanying notes to the financial statements.

STATEMENT 2

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31

	Budget 1999 (Note 7)	Actual 1999	Actual 1998
REVENUE:			
Administration fees (Note 6)	$5,414,628	$5,320,103	$3,928,530
EXPENSES:			
Salary and benefits expense	2,373,663	2,570,038	1,987,929
Contractual services-professional and technical	1,994,813	1,871,275	1,355,151
Rent	306,630	238,395	87,748
Postage and communications	220,806	240,918	149,433
Supplies	118,007	93,492	102,842
Advertising/printing related expenses	195,892	45,771	28,642
Travel	91,175	71,310	83,215
Amortization	84,116	167,816	112,616
Repairs and maintenance-furniture/equipment	6,501	6,295	11,833
Business entertainment expense	23,025	14,793	9,121
Total expenses	5,414,628	5,320,103	3,928,530
Net income (loss)	$ -	$ -	$ -

See accompanying notes to the financial statements.

STATEMENT 3

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE

FOR THE YEAR ENDED MARCH 31

	1999	1998
Financing (provided by) required for operating activities:		
Items not affecting working capital - Amortization	$(167,816)	$(112,616)
Net (decrease) in working capital items related to operations (Note 5)	(131,205)	(99,337)
	(299,021)	(211,953)
Financing (provided by) required for investing activities:		
Purchase of capital assets	656,069	235,877
Net increase in financing requirements	357,048	23,924
ACCUMULATED NET EXPENDITURE, beginning of year	493,287	469,363
ACCUMULATED NET EXPENDITURE, end of year - to Statement 1	$850,335	$493,287

See accompanying notes to the financial statements.

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Authority and Definition of Accounting Entity

The authority for the Public Employees Benefits Agency Revolving Fund (Revolving Fund) is contained in Section 65 of *The Financial Administration Act, 1993*. The Revolving Fund was established to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various plans and programs administered by PEBA in accordance with the policy described in note 2(c).

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following accounting policies are considered significant:

a) Net Expenditure (Recovery)

The net expenditure (recovery) for a fiscal year is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations of the Revolving Fund.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund consists of the sum of the net cash expenditures (recoveries) of each fiscal year since inception.

c) Revenue

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis to these plans and programs as follows:

i) Costs relating to a particular plan or program are allocated to that plan.
ii) All other costs are allocated to these plans and programs using a formula primarily based on time required to administer these plans and programs.

d) Capital Assets

Individual capital assets and leasehold improvements costing more than $500 are capitalized. They are being amortized on a straight-line basis over three years for equipment and software and five years for furniture and leasehold improvements. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum of accumulated net expenditure which may at any time be outstanding to be set by order of the

Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at $1,200,000 by Order in Council 746/98.

4. Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	1999	1998	1999	1998	1999	1998
Equipment	$ 610,472	$571,322	$255,524	$349,653	$354,948	$221,669
Furniture	103,564	733	19,169	-	84,395	733
Leaseholds	289,875	45,479	14,494	41,410	275,381	4,069
	$1,003,911	$617,534	$289,187	$391,063	$714,724	$226,471

5. Net Change in Working Capital Items Related to Operations

	1999	1998
Increase in accounts receivable	$ 272,266	$ 108,218
(Increase) in accounts payable	(403,471)	(207,555)
	$(131,205)	$ (99,337)

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Included in revenue and expenses are costs amounting to $642,778 (1998 - $370,053) incurred by the General Revenue Fund for services provided on behalf of the Revolving Fund. These costs are billed to the various plans and programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*. Amounts received by the Revolving Fund relating to these costs are paid to the Minister of Finance and credited to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and administrative costs. These costs have been absorbed by various departmental appropriations and therefore, no provision for such costs is reflected in these financial statements.

The following table summarizes the Revolving Fund's related party transactions that are in the normal course of operations. These transactions are recorded at the standard rates charged by these organizations.

	1999	1998
Administration fees	$ 5,320,103	$ 3,928,530
Expenses	$ 690,394	$ 233,270

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	1999	1998
Accounts receivable	$ 973,502	$ 701,236
Accounts payable	$ 417,087	$ 32,258

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

7. Budget

The various pension plan boards approved their component of the annual budget. A copy of the annual budget was also submitted to Treasury Board.

8. Amount Reported in the Public Accounts

The net revenue/(expenditure) of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies between the Revolving Fund and the General Revenue Fund:

	1999	1998
Net income/(loss)	$ -	$ -
(Increase) in capital assets	(488,253)	(123,261)
Amounts not included in Public Accounts due to timing	381,495	140,897
(Net financing requirement) recovery reported in Public Accounts	$(106,758)	$ 17,636

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as accounts receivable or accounts payable that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total receivables are $973,502 at March 31, 1999 with no allowance for doubtful accounts. Most of the receivables were received shortly after year end reducing the credit risk.

c) Fair value

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.